

ID: CCA-127138-09

Number: **200910032**

Release Date: 3/6/2009

Office:

UILC: 6231.13-00

---

**From:**

**Sent:** Tuesday, January 27, 2009 1:38 PM

**To:**

**Cc:**

**Subject:** RE: Indirect Method of Proof of Income in TEFRA Context

1. I agree. If there are any doubts as to whether your case involves an "indirect method of proof of income," or if you have any questions regarding that concept, I recommend that you contact \_\_\_\_\_ or \_\_\_\_\_.

2. I agree. See IRM 4.31.2.6.6.3(8)("Partnership items of a partner, arising in any partnership taxable year ending with or within any taxable year of the partner for whom a deficiency notice based upon an indirect method of proof of income is mailed to the partner, are treated as nonpartnership items as of the date on which that deficiency notice is mailed to the partner. **The adjustments from the TEFRA partnership(s) should be included in the notice of deficiency.**").

3. Yes.

Also see IRM 4.31.2.5.10(5)("If the TMP's individual return is examined and unreported income is identified, by using an indirect method of proof, and a notice of deficiency is mailed to the TMP, as of the date the notice is mailed, the TMP's designation is terminated. Thus, whenever an examiner is performing an examination on an investor return that is linked to a TEFRA key case and the above situation arises, the examiner should contact the key case examiner to coordinate the closing of the case. (Treas. Reg. section 301.6231(c)-6)").

Also see IRM 4.31.2.6.8(2)("Under Treas. Reg. section 301.6231(c)-6, a partner's partnership items, with respect to a partner whose taxable income is determined by use of an indirect method of proof of income, convert to nonpartnership items on the date a deficiency notice, based upon an indirect method of proof of income, is mailed to the partner. The notice must include any adjustments from the partnership(s). a. The period for assessment of tax under IRC 6229(f) applies. b. The one-year assessment period starts (but is immediately suspended by the notice of deficiency) since the partnership items converted to nonpartnership items.").